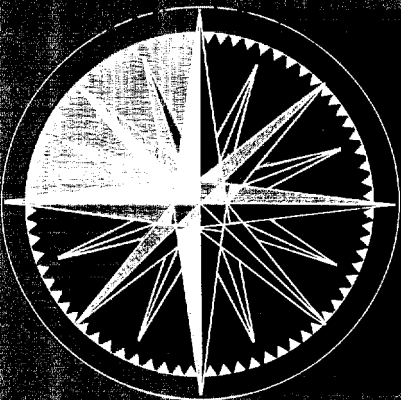


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CURRENT INTELLIGENCE WEEKLY SPECIAL REPORT

INDIAN PRIME MINISTER GANDHI: PERFORMANCE AND PROSPECTS

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INDIAN PRIME MINISTER GANDHI: PERFORMANCE AND PROSPECTS

In her seven months as head of India's government Indira Gandhi has shown greater decisiveness in her approach to major policy questions than most observers expected. This has earned her the disapproval of some early backers in the ruling Congress Party who believed they were getting a more malleable prime minister. At the same time, a number of party wheelhorses who resisted her appointment are now supporting her for a variety of essentially pragmatic reasons. Her future position will depend in large measure on how well the party fares in the general elections scheduled for next February.

Mrs. Gandhi as Prime Minister

The elevation of Mrs. Gandhi to the premiership following Shastri's sudden death seven months ago was essentially a stopgap. She was not considered the most competent of the half dozen leading contenders, but it soon became apparent that her selection would be least likely to stir up antagonisms within the ruling party. She was not closely allied with any of the party's regional power blocs, nor was she caught up in the personal feuding that damaged other candidates' prospects.

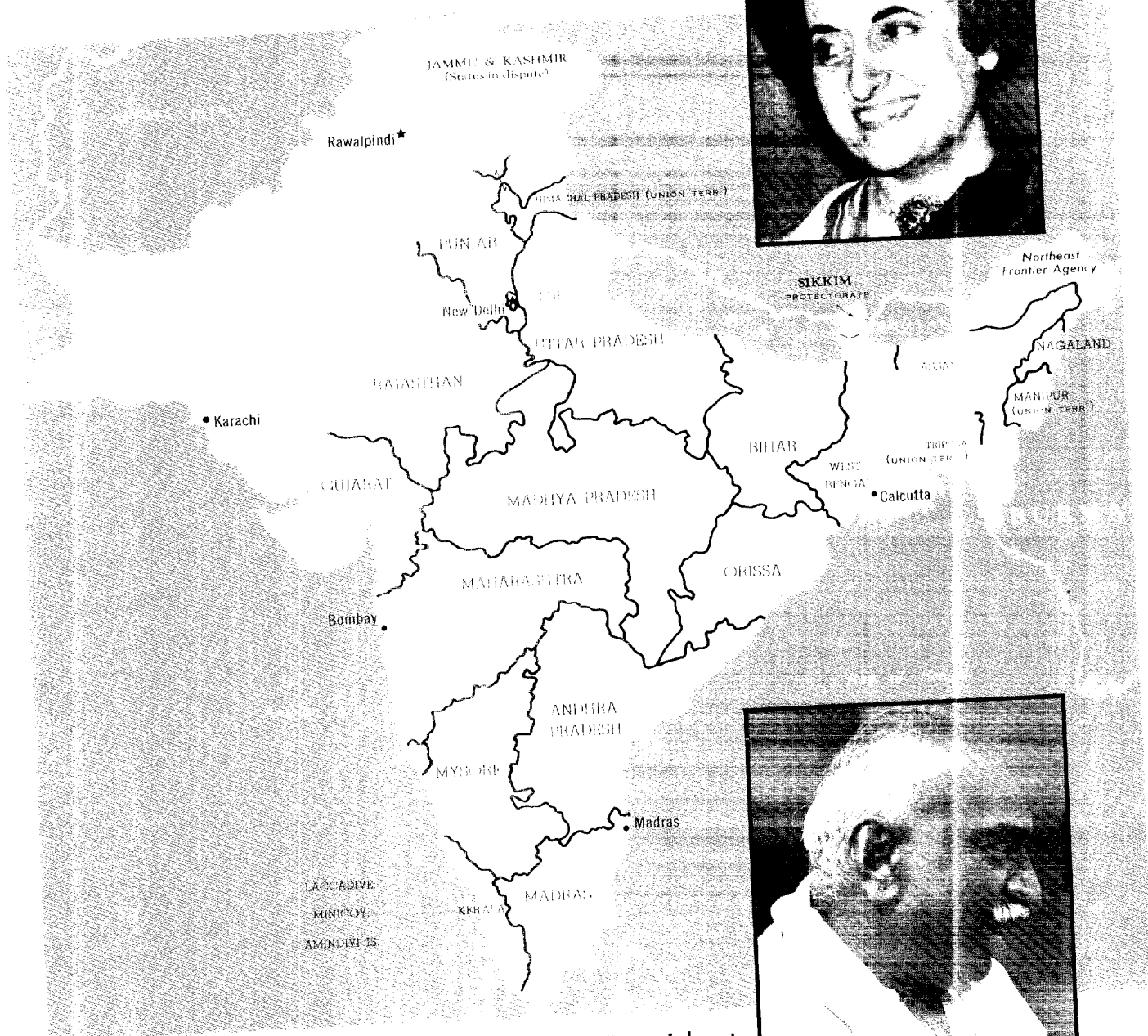
Her credentials for the job were mixed. As Nehru's daughter she had long been active in party work--she claims to have attended her first party conclave at the age of three. As her father's closest aide and confidante she had been drawn into decisions of crucial importance. The extent to which she influenced Nehru's judgment was never clear, how-

ever. During his lifetime she shunned government posts, although she served creditably as Congress Party president in 1959. She was not impressive in her only previous cabinet position--that of minister of information and broadcasting in the Shastri government.

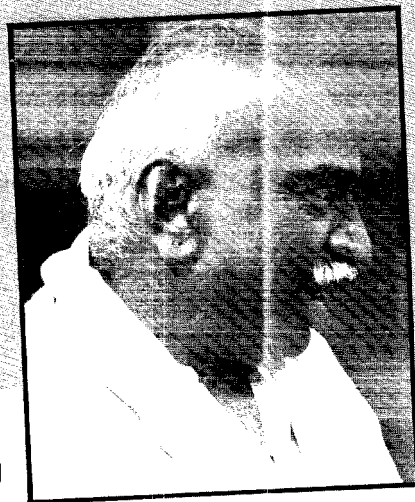
In recent months Mrs. Gandhi's image has changed. After an initial halting performance she has shown unexpected decisiveness in making and defending major shifts in economic policy. Some of these changes have involved backing away from the outdated brand of London School socialism she inherited from her father, and reducing controls over private business activities. These moves have brought her government under heavy opposition fire, and drawn anguished criticisms from Congress Party leftists who had previously regarded Mrs. Gandhi as solidly in their camp. She has countered by taking her case directly to the people in an impressive series

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Prime Minister
INDIRA GANDHI



Congress Party President
K. KAMARAJ



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of radio addresses and visits to the provinces.

Mrs. Gandhi's approach to cabinet leadership differs from that of either of her predecessors. Where Nehru overwhelmed and dominated his colleagues and the mild-mannered Shastri patiently sought consensus among them, Mrs. Gandhi tends to rely heavily upon a few key associates whom she respects and trusts. Some observers feel she is not fully attuned to the substance of the problems facing her government. Most major policies have, in fact, been authored by her advisers. Nevertheless, in recent months she has shown an increased willingness to become personally involved in disputes and to make firm decisions in the face of conflicting advice.

Economic Issues

The most urgent problems confronting Mrs. Gandhi when she took office were economic. In tackling them she called upon the services of two men who had played important roles in economic policy formulation during the Shastri administration--Agriculture Minister Subramaniam and Planning Minister Mehta. Both were on close terms with the prime minister prior to her selection, and both were already deeply immersed in a crisis brought on by a serious food shortage, dangerously low foreign exchange reserves, and the suspension of US economic aid commitments since last summer's war with Pakistan.

Under Subramaniam's supervision Indian delegations sought emergency food stocks from the West to make up the deficit caused by the worst drought of this century. The Indians estimated that 11 to 12 million tons of food grain would be needed, in contrast to a record 7.4 million tons imported during 1965. In July the Agriculture Ministry announced that over 11 million tons had been lined up, 80 percent of which would come from the US under PL-480 agreements. Although the specter of widespread famine thus appears to have been averted, localized hardships may occur before the November marketing of this year's autumn crop--particularly with monsoon rains now hampering grain handling. Moreover, food prices are continuing their sharp seasonal climb, creating an exploitable issue for the opposition.

Some of the Gandhi government's efforts to cope with the food crisis have stirred protests. Subramaniam was chided earlier this year when he announced new policies designed to encourage private and foreign participation in the faltering fertilizer industry--part of a larger program to improve long-term agricultural prospects. Indian leftists, including the Congress Party left wing, argue that this does violence to a ten-year-old decision that increased fertilizer production should come primarily from government plants. Other food programs--such as rationing

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and distribution schemes--have been resisted by producers in food surplus areas who are reluctant to sell to the government at controlled prices, and have caused complaints from deficit states that they are not getting their share of available stocks.

The Gandhi government received additional brickbats when it acted on World Bank recommendations for economic reform. The new measures were introduced following a visit to Washington last spring by Planning Minister Mehta to discuss the resumption of economic assistance with officials of the bank, which chairs the consortium of Western aid donors. He found the bank dissatisfied with India's lagging economic progress during the third five-year plan (1961-1966). It was clear that the bank would not endorse New Delhi's requests for increased aid for its ambitious fourth plan--now in the final stages of drafting--unless the Indians agreed to begin clearing away the clutter of controls that was stifling productivity. In early June New Delhi took the first step toward reform by devaluing the rupee by 36.5 percent, bringing it more in line with world market rates.

Domestic critics promptly charged Mrs. Gandhi with following a "Made in America" economic policy and predicted that the move would lead inevitably to skyrocketing prices. There was a rumbling of discontent among Congress Party bosses, who feared runaway inflation would cost

votes in the coming general elections. These fears persist, even though the World Bank subsequently called upon the consortium to underwrite the reforms by providing \$900 million in nonproject loans during fiscal year 1966-67. At least \$830 million of this has been promised by member nations.

Political Challenges

Several political crises, most of them involving regional and linguistic disputes, have also plagued the Gandhi government. In meeting these Mrs. Gandhi has proven less forceful than in dealing with economic dislocations.

An uprising in March by a thousand tribesmen in the Mizo Hills District of Assam State, paralleling the ten-year-old independence struggle of nearby Naga tribes, called attention to the need for a new approach to the problems of India's ethnically distinct hill tribes. Mrs. Gandhi nevertheless found herself hobbled by conflicting pressures from her colleagues. Some advocate greater local autonomy while others demand harsh punitive action. Indian troops managed to contain the Mizo guerrillas, but the rebellion has not been stamped out. The Naga movement, quiescent since 1964 under the terms of a tenuous cease-fire, shows signs of heating up again.

Trouble of a different nature broke out in the northwestern state of the Punjab, almost

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simultaneously with the Mizo revolt. The Sikh religious minority there resumed its periodic agitation for the partitioning of the bilingual state along linguistic lines. This proposal, designed to create a state in which the Sikhs would constitute a majority, had been resisted by previous Indian governments on the grounds that its emphasis on religious and linguistic disparities would damage national unity. This time, however, the demand was backed up by an apparently genuine threat of self-immolation by the Sikhs' most popular leader. Fearing the disorders that would follow, the Congress Party's 21-member Working Committee recommended acquiescence. Although the prime minister--a member of the Working Committee--concurred and her government ordered partition, reports indicate that the decisive voice was that of party president Kumaraswami Kamaraj.

The Punjab decision appears to have rekindled demands for border adjustments elsewhere. Maharashtra and Mysore states, both headed by Congress Party governments, have revived a long-standing quarrel over possession of several political subdivisions along their common border. The territory in question is now included in Mysore, but a slight majority of the inhabitants speak Marathi, the language of Maharashtra. The attempt by the latter state to win control over the disputed areas sparked violent demonstrations in Mysore, spurred on,

ironically, by state Congress Party and government officials. Disgruntled elements in eastern Maharashtra have now added to the confusion by reopening their own claims to separate statehood. Similar problems in other states lie just beneath the surface. Mrs. Gandhi seems inclined to tread cautiously, even though the continuing discord is damaging Congress Party unity.

Mrs. Gandhi and the Party

Mrs. Gandhi's own power position is unclear. Her assertiveness and independence have established her as a force to be reckoned with in Congress Party councils. On the other hand, she has also earned the disapproval of some party leaders who had expected her to be more amenable to their advice.

The picture is further clouded by the shifting of alliances that has characterized Congress Party politics since Nehru's death. Nehru's commanding stature--and that of Mohandas Gandhi before him--not only dwarfed other party leaders, but also obscured the fact that the Congress movement was anything but monolithic. Ever since the 1920s, when Gandhi expanded it into a broad-based vehicle for agitation against the British, the party has been essentially a federation of provincial blocs organized along linguistic lines. Over the past two decades most of the nationally prominent independence leaders have died, leaving both party and government largely in the hands of regionally based strong-men and their protégés.

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Indira Gandhi is one of the few leaders who can claim an all-India image. She is without a solid local power base, however, even in her home state of Uttar Pradesh. Her selection as prime minister was engineered almost single-handedly by party president Kamaraj, south India's foremost politico.

Kamaraj chose Mrs. Gandhi for a variety of reasons. As Nehru's daughter she would be an asset at election time. She seemed less likely than others to divide opposition to the bid of conservative former finance minister Morarji Desai--a Kamaraj foe. Moreover, Kamaraj's previous dealings with her had been harmonious and her lack of political muscle seemed to guarantee a cooperative future relationship.

The Kamaraj-Gandhi Rift

In recent months, however, that relationship has begun to erode. The earliest strains developed last February, when Kamaraj voiced objections to the cabinet's revised fertilizer policies despite his normal detachment from government deliberations. He judged that the new approach would work to the detriment of India's rural poor, whose cause he has diligently championed throughout his political career.

Since then Kamaraj has been among those who have indicated growing disgruntlement at what they regard as an excessive readiness on the part of Mrs. Gandhi

to adopt Western proposals for economic reform. His opposition is more emotional than intellectual, and his understanding of the complex issues involved is rudimentary. The 64-year-old Kamaraj is a lower caste Hindu with little formal education. His political development has been conditioned by decades of active participation in anticapitalist and anti-Brahmin maneuvering in his native Madras State. He espouses an unsophisticated socialist philosophy in which the merit of any policy is measured by its immediate impact upon India's downtrodden masses.

Kamaraj's latest dissent was registered over the currency devaluation, which the Gandhi cabinet apparently decided upon without his approval. It troubled him on several counts. It could cost votes, it was not well received by businessmen upon whom Kamaraj was depending to fill the party's election coffers, and it looked like a further knuckling under to Western influence. Perhaps most important, however, it reflected Mrs. Gandhi's growing independence in major policy areas.

Kamaraj's disappointment over the prime minister's performance probably has been heightened by recent shifts in Congress Party power relationships which have reduced his once-paramount position. Some of these adjustments have had the concurrent effect of strengthening Mrs. Gandhi's hand by winning her the support--albeit

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opportunistic and transitory-- of powerful elements who were not among her early backers.

The Revival of the "Syndicate"

Among those most active in recent intraparty manipulations were three key members of the "syndicate" of regional bosses who worked with Kamaraj to secure Shastri's succession to Nehru. Two of these, Railways Minister Patil and Transport Minister Sanjiva Reddy, were caught badly off balance by Shastri's sudden death. Their relations with Kamaraj had already become somewhat strained, and they lost further ground as a result of their inability to settle on and promote a winning candidate.

Since then they have made a comeback. Reddy placed first in a party vote last May to select members of the important Election Committee, an ad hoc body formed to approve Congress Party candidates for state and national elections. Patil, already an ex officio member of the committee, stage-managed the election of one of his cohorts. Patil also scored well in recent elections to the Executive Committee of the Congress Party's parliamentary group.

Patil, rightist political boss of wealthy Bombay and an important party fund raiser, has now publicly thrown in with Mrs. Gandhi. Although initially cool to her selection, he seems to calculate that her government is likely to drift gradually toward closer economic ties with the West. As one of India's most

Western-oriented leaders, he probably sees himself as a major beneficiary of such a trend. His support for the prime minister is clearly opportunistic, however, and could evaporate rapidly if her political prospects begin to dim.

Sanjiva Reddy has been more reserved in his backing of Mrs. Gandhi, but political developments in his home state of Andhra Pradesh may increase his interest in a more cooperative relationship. His opposition to her at the time of her selection was largely the result of her support for his archrival D. Sanjivayya, a former chief minister of Andhra who is now industries minister in Mrs. Gandhi's cabinet. More recently, however, a revolt back home by an erstwhile lieutenant has driven Sanjiva Reddy into an odd alliance with Sanjivayya. The US Consulate General in Madras understands that the arrangement envisages Reddy, as senior partner, acting as Andhra's spokesman in New Delhi while Sanjivayya works to restore the pair's control over the state machinery. As part of the deal, Reddy reportedly has agreed to support the prime minister.

A third member of the old syndicate, eastern India's strong-armed political boss Atulya Ghosh, has indicated he is willing to go along with Mrs. Gandhi, at least for the time being. Although not one of her early supporters, Ghosh lost little ground because of her selection. Her finance minister, Calcutta lawyer S. Chaudhuri, is close to the Ghosh organization and probably helps keep open the

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lines of communications between it and the prime minister.

Ghosh, like Sanjiva Reddy, has not been on the best of terms with Kamaraj lately. Nevertheless, he has attempted to debunk rumors relating to the Kamaraj-Gandhi rift and probably hopes an open confrontation can be avoided. Ghosh's most immediate ambition apparently is to succeed Kamaraj as the party president in 1967 or 1968, and he will weigh political decisions accordingly. As a result, he will probably try to steer clear of binding commitments.

Meanwhile, Ghosh has recently thrown his support behind the machinations of both Reddy and Patil, giving rise to speculation that the somewhat disjointed syndicate may be in for a revival. It would be an alliance of convenience geared to the advancement of specific mutual interests. In the short run this might involve a nod in the direction of the prime minister, but the group would almost certainly leave open the door to a deal with Kamaraj as a hedge against shifting political fortunes.

Other Cabinet Supporters

Three other important cabinet colleagues are actively supporting the prime minister: Defense Minister Chavan, Agriculture Minister Subramaniam, and Planning Minister Mehta. Of the three, Chavan is by far the most influential in terms of the votes he commands in Parliament and in party councils. He is the undisputed overlord of Maharashtra

State--excluding Bombay--and his capable handling of his portfolio during last year's war with Pakistan brought him national acclaim second only to that accorded to Shastri.

Chavan wants to be prime minister, but he did not press his case following Shastri's death because he recognized that parochial rivalries with Patil and Mysore Chief Minister Nijalingappa would weaken his chances. He therefore cooperated with Kamaraj in promoting Mrs. Gandhi, thus preserving his already good relations with both.

Chavan generally plays his cautiously and well. He knows that at age 53 he still has ample time to reach the top. In the early months of Mrs. Gandhi's administration he remained aloof from the more contentious issues facing the government, concentrating narrowly on his own ministry and on cementing his relations with congress parliamentarians from other parts of India.

In the uproar that followed the rupee devaluation, however, Chavan finally spoke out in defense of Mrs. Gandhi. His move probably reflects a judgment that the prime minister is doing at least an adequate job, and that she is not likely to be forced from office in the near future. On the other hand, there is no indication so far that the defense minister's relations with Kamaraj have soured. Indeed, Chavan will probably continue to avoid moves that could deprive him of Kamaraj's important backing when the

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time finally comes for him to bid for the premiership.

Subramaniam and Mehta are valuable to the prime minister largely because they are competent and because their approach to India's urgent economic problems accords with her own views. Neither has a particularly strong political base, however.

Subramaniam is strong in the Coimbatore district of western Madras, but the state's overriding loyalty to his sometime antagonist Kamaraj severely limits the value of this following in national level politics. Although an articulate debater, he has irritated other senior party leaders in the past by his schoolmasterish lectures on the wisdom of his programs. Mehta, a long-time socialist who broke with the Congress Party in the late 1940s and did not rejoin until 1964, has no grass-roots support.

The recent friction between Kamaraj and the cabinet has encouraged Congress dissidents--both left and right--in their jibes at Gandhi government policies, and Subramaniam and Mehta have provided ideal targets. They are inescapably identified with the most controversial issues, and they have relatively little ammunition with which to fire back. There have been rumors of an attempt to force one or both from office even before the 1967 elec-

tions as a substitute for striking directly at Mrs. Gandhi.

Outlook

Despite the unsettled power relationships among the Congress Party leadership, the approaching general elections will discourage open feuding. Kamaraj's distress over Mrs. Gandhi's behavior is not likely to blind him to the fact that any move to replace her would cost the party heavily at the polls. Similar considerations militate against attempts to oust Subramaniam or Mehta against Mrs. Gandhi's will. Factional strains will continue to trouble the party, both in New Delhi and in the states, but the odds are against a major blowup between now and next February.

Congress Party disarray is offset by the even more fractionalized nature of its opposition. Major opposition forces at the national level include two rightist parties, the relatively pro-Western Swatantra Party and the Hindu communal Jan Sangh. In addition, there are four parties on the left: the irresponsible and obstreperous Samyukta Socialist Party (SSP), the more placid Praja Socialist Party (PSP), and the right- and left-wing Communist parties. None of these groups has more than a limited regional following, and none has the slightest chance of displacing the Congress government in New Delhi.

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In the individual state governments the Congress position is less secure. None of the 16 states is presently in the hands of the Congress' political rivals, but several could be wrested from its grip in the next election. A Communist-dominated coalition would have a good chance of defeating the badly split Congress Party of Kerala. In Orissa, Congress dissidence could well result in a victory by a Swatantra-PSP alliance. In what remains of the Punjab after partition, the Congress Party may find itself edged out in a contest between the pro-partition Akali Dal, political arm of the Sikh religious group, and the Jan Sangh, which adamantly opposed the division of the state. In two other states--West Bengal and Gujarat--opposition groups feel that they have the Congress Party on the ropes, but their predictions appear to be overly optimistic at this point.

Recognizing that their best hope lies in capturing state legislatures, the opposition groups will probably concentrate their slender campaign resources on local rather than national efforts. They are exploring the possibility of electoral arrangements which would avoid splitting the anti-Congress vote. In spite of difficulties caused by diverse ideology and personal antagonisms, the present trend of these interparty negotiations is toward a fairly impressive network of electoral accords. On the other

hand, past experience has shown that where latent competition between the associated groups is intense--as it now is between the two Communist factions--local politicians find subtle ways to evade the agreements and undercut their foes. Thus, the success of the electoral pacts will vary widely from state to state.

Political debate over the next seven months probably will focus on the state of the economy as viewed by election-minded politicians. Elements now critical of the Gandhi administration will be looking for issues with which to tar the government, and any economic deterioration will play into their hands. The more radical opposition parties, particularly the Communists and the SSP, will resort extensively to open agitation, including street demonstrations, riots, and parliamentary uproars.

At the same time, Congress Party fence-sitters will be carefully gauging developments to determine their own postelection alignments within the party. Their decisions will turn as much on local situations as upon national issues. The outcome of such current altercations as the Maharashtra-Mysore boundary dispute and the Andhra Pradesh factional fight will significantly influence the future positions of Chavan, Sanjiva Reddy, and other key figures.

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Mrs. Gandhi's own political future thus remains obscure. Her strained relationship with Kāmaraj is a definite liability. On the other hand, she has been able to capitalize on her unique national stature to carry her message directly to the people. In the past few months her public statements have reflected greater self-confidence. Such performances will probably become more frequent in the final stages of the campaign.

If the party emerges from the elections without a substan-

tial reduction of its parliamentary majority--now about 70 percent of the seats--the victorious prime minister will be difficult to dislodge. If she proves unable to lead the Congress effort competently, however, there could be an attempt to force her from office next March when the party's newly elected Parliamentary Group meets to select its leader. A crucial determinant will be Kāmaraj's own ambitions. If he wants the premiership himself, however, he is hiding his wishes well, and he is not likely to press any claim until the February vote is safely counted. (CONFIDENTIAL)

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